



Hard and Soft Contracting

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Human Side of Projects in Modern Business 2

Scientific Track Presentation

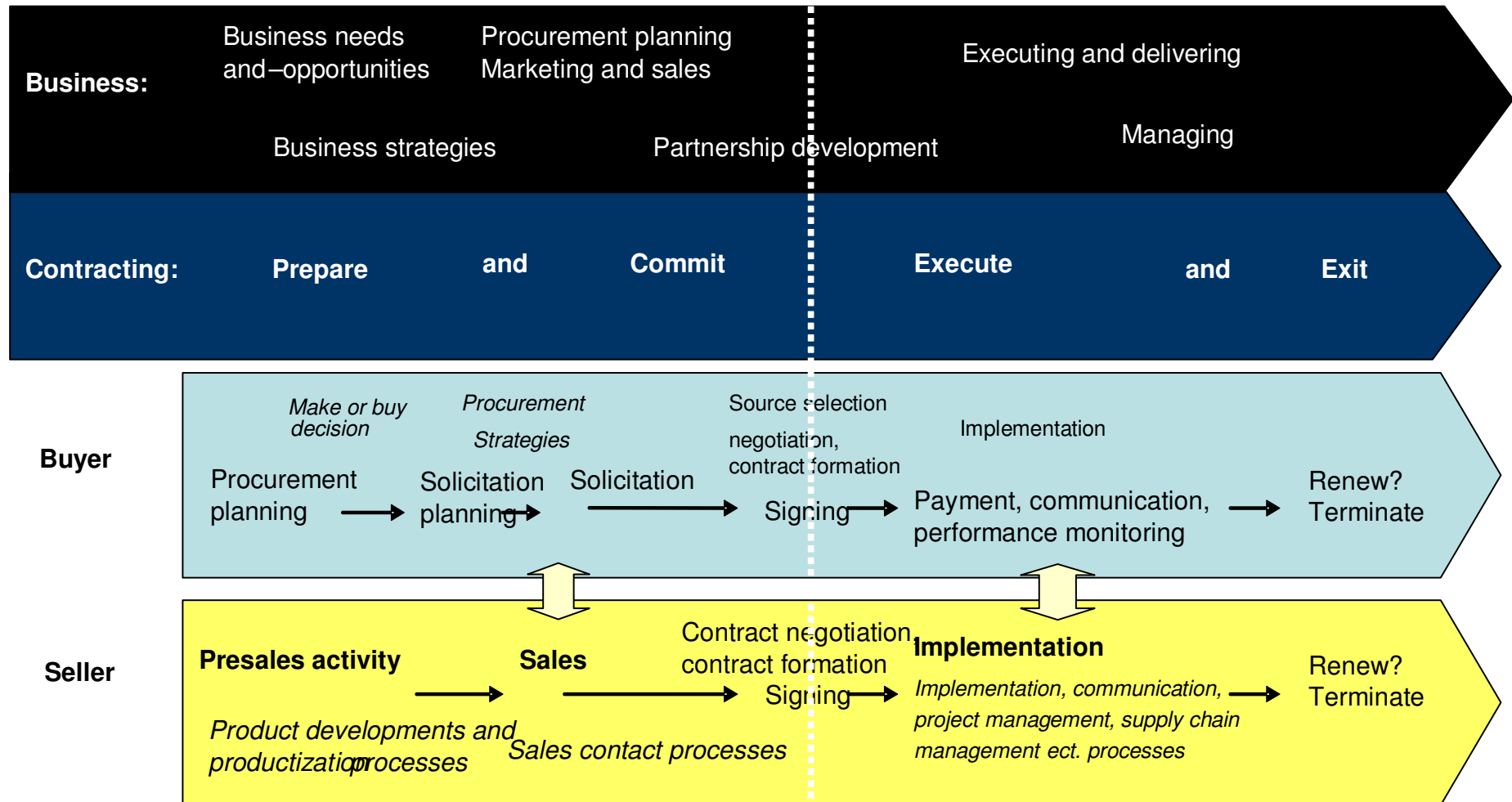
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Introduction

- Project “Corporate Contracting Capabilities” (ccc)
- Capabilities of the companies to allocate and combine resources, knowledge and skills of contracting personnel, and harness them to support business
- Not just legal department
- 8 Finnish Companies in transitions
- Interviews and contracting documents, literature studies

- 3 aspects of CCCs
 - three different overlapping forms of organizational capabilities or learning
 - contract contents capability, contract process capability, and relational capability

Contracting and Business Processes



[Figure 1. Contracting and Business Processes - Source: CCC Project Final Report.]
 Reports are available on line. <http://yliopisto.joensuu.fi/oikeustietet/english/tekes/ccc.htm>

Hard vs. Soft Contracting

Hard contracting, hard approach to contracting

- emphasizes opposite interests of the parties
- highlights the need of the parties to safeguard themselves against the risks,
- with precise and unchanging hard terms
- Classic view of contract (legalistic)

Soft contracting or soft approach

- emphasize flexibility, good will, commitment to cooperate from the parties
- a framework for cooperation
- with soft terms agreement of reference or standards that have to be specified later

Research Hypothesis

Shifting of business model may also indicate the shift in the actual terms of contracting and their functions –hard and soft elements.

- shift to life-cycle contracting, the amount of clauses for flexibility and coordination relatively would increase, compared to safeguarding terms
- more soft terms

Research Findings & Conclusion

- No Such Shift
- Why?
 - 1) Safeguarding terms were still important, but the means of safeguarding changed: the terms that are used to safeguard the sellers' risk were substantively different in life-cycle business models
 - 2) Incomplete transitions of business model → mixture of terms
 - 3) Firms deliberately leave contingencies to relational capability and do not rely on contract terms